

SGX REGULATOR'S COLUMN: ISSUERS' DISCLOSURES DURING THE COVID-19 PANDEMIC

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Categories: [CNPupdates](#), [Covid-19 Resource](#)

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On 22 April 2020, the CEO of Singapore Exchange Regulation (“**SGX RegCo**”), Tan Boon Gin, issued a regulator’s column which sets out what the SGX RegCo expects of disclosures made by issuers during this COVID-19 pandemic. While the SGX RegCo recognises the challenges that issuers may face in reacting and providing updates to its shareholders due to the constantly evolving situation and volatile and uncertain market, the SGX RegCo highlighted the importance for issuers to provide timely and accurate information in relation to material changes in its business and operations to enable shareholders to make their investment decisions. SGX RegCo also stressed to issuers that reliance on broad-stroke explanations to support a decline in general economic activity and outlook would be deemed inadequate and of little utility to their shareholders.

In this article, we provide a summary of the guiding principles of the SGX RegCo as to the disclosures expected to be made by issuers during these uncertain times.

Making disclosures during uncertain times

The SGX RegCo set out specific scenarios where material information needs to be disclosed. These scenarios are as follows:

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- Where there are material changes to an issuer's near-term earnings prospects caused by general trading trends or by specific events or developments, disclosure must be immediate.
- Where matters are developing or being assessed and the impact cannot be quantified, disclosure is still expected, and such disclosure should reflect the issuers' current state of affairs and outlook. In particular, the SGX RegCo highlighted that the issuer should disclose its assessment of the steps taken to address the effects of the COVID-19 pandemic and how its operating and financial conditions may change.
- Where there is insufficient information to allow issuers to disclose the financial impact with certainty, a detailed explanation of the non-disclosure should be given, along with sufficient information to allow investors to independently assess the financial impact.

The SGX RegCo emphasised that generic statements that do not address specific areas of impact on the issuers' operations and financial situation should be avoided. An example of such a statement is one which states that their financial results are expected to be materially impacted due to COVID-19, but without providing a detailed assessment on how their operations would be affected.

Board oversight

The SGX RegCo highlighted that the issuers' board of directors should be vigilant about disclosing any material information as they make plans to deal with the effects of the pandemic on their businesses.

It also emphasised that boards and auditors must be aware of the possible effects of global developments on the issuers' financials, especially high-risk areas like cash balances and accounts receivables. Robust systems should be implemented to alert directors of any change to the issuers' businesses and financial conditions during this tumultuous time.

Guiding questions

The SGX RegCo also listed several non-exhaustive areas which issuers should consider when determining whether disclosure is required:

- Impact of COVID-19 on the issuer's operations
 - The SGX RegCo noted that issuers should consider whether there have been any material disruptions to supply chains and/or material impact on the demand for the issuers' goods and services, or whether there are any material operational constraints.
- Compliance with COVID-19 restrictions
- Impact of COVID-19 on the issuer's earning prospects

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- Given the heightened volatility, the SGX RegCo highlighted that issuers should review if their prospects statement remains relevant with greater regularity.
- Moreover, if issuers withdraw their previous earnings guidance, the SGX RegCo noted that they must provide a detailed explanation on the reasons and impact to performance for the relevant period leading to the withdrawal.
- Impact of COVID-19 on issuer's liquidity
- Impact of COVID-19 on issuers' balance sheet
- Impact of COVID-19 on issuers' contractual obligations
 - Some examples which the SGX RegCo provided include temporary relief, force majeure clauses, termination of contractual obligations for material contracts, threats to the issuer's contractual rights/ability to fulfil its obligations for material contracts, and waiver or imposition of material contractual terms.
- Threats to viability
- Impact of governmental measures

Publishing regular business updates

The SGX RegCo urged issuers to publish regular business updates to reduce the information gaps between the investor and the issuers regarding their state of affairs, especially given the extension of time granted for the publishing of annual reports. These business updates can contain key operating metrics or top-line financials.

Further information

For more information, please refer to the regulator's column which can be accessed here:

<https://www.sgx.com/media-centre/20200422-regulators-column-what-sgx-expects-issuers-disclosures-during-covid-19>

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